

S. 2227 : Amendment to the Harmonized Tariff Schedule to remove the 100% tariff imposed on roasted chicory and other roasted coffee substitutes

The American Coffee Company, best known for our red cans of French Market Coffee and Chicory, has been producing coffee in New Orleans, Louisiana, since 1890. The implementation of the 100% tariff on roasted chicory in 1999 gave our pure coffee competitors an exceptional edge on the shelves and in the overall coffee market. It continues to do so. The continuation of this tariff has had significant, adverse economic consequences for US coffee roasters. For those of us in Louisiana, the geographic identification point for this blend of coffee and chicory in the United States, this effect is intensified.

In the aftermath of Katrina, we at American Coffee met and overcame tremendous challenges in our incredible city. The same is true of most of the historic, world-famous restaurants we serve. Our higher cost of goods sold directly impacts the profit margins of those businesses returning to New Orleans, from “the country’s oldest family-run restaurant” to the neighborhood corner groceries as well as the national supermarket chains slowly expanding their hours of operation as labor becomes available.

The vast majority of chicory used in the United States for coffee-chicory blends comes from France. We have maintained our decades-long business relationship with the French chicory company, Leroux, in order to meet the quality control standards that our loyal customers enjoy and demand.

Tariffs are, at their core, incentive to buy elsewhere. Unfortunately, the dearth of alternative sources, internationally and domestically, creates a lack of true option between exorbitant tariffs and inferior chicory. Given this, the chicory tariff is narrowly but intensely punitive. Section 407 of the Trade and Development Act of 2000 called for modification of Section 301 of the Trade Act of 1974, specifically for periodic rotation of products. To date, no such alleviation has been applied to the chicory tariff.

Eight months into our 116th year of operations, we ask that you repeal the chicory tariff that was included in the backlash against the European Union’s violation of World Trade Organization rules. The EU ban on hormone-treated beef produced in the United States cannot be allowed to continue to impede our ability to meet demand and turn profit. We in Louisiana have received an extraordinary outpouring of support from all corners of the world; the EU is no exception.

Please support our ability to grow as part of the rebuilding and rebirth of New Orleans, its culture, its flavor, its tradition and its economy.

ROBERT F. NELSON
President & Chief Executive Officer

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August 3, 2006

The Honorable Charles Grassley
United States Senate
135 Senate Hart Office Bldg.
Washington, DC 20510-1501

Dear Senator Grassley:

The National Coffee Association (NCA) appreciates this opportunity to provide our views in strong support of removal the 100% ad valorem tariff currently imposed on chicory and provide relief to affected Louisiana coffee roasters. We urge the Finance Committee to support the inclusion of the tariff relief provided for in S. 2227 in the omnibus miscellaneous tariff bill.

The National Coffee Association represents the US coffee industry, which generates \$19 billion annually in retail sales and conducts over \$3 billion in trade with 50 countries in Asia, Africa, Latin America and Europe. In addition to the nearly two-thousand roasters and importers, the industry is comprised of over 19,000 coffee cafés employing persons in every state and region. Through retail, restaurant and coffee café sales, the industry serves over 178 million consumers annually.

In retaliation for the WTO-inconsistent European Union ban on hormone-treated U.S. beef, in 1999 the United States Trade Representative imposed this tariff on chicory as a result of the World Trade Organization Dispute Settlement Board authorizing the United States to enact retaliatory tariffs on European Union exports. Because the vast majority of chicory used in the United States for coffee-chicory blends comes from France, this tariff (averaging \$1.74 million annually) has had adverse economic consequences for US coffee roasters, with the brunt of this impact on Louisiana roasters and Louisiana consumers, where it is estimated that the annual indirect cost of the tariff approaches \$3.5 million.

Despite the growing US coffee sector, the once growing coffee-chicory blend market has eroded since 1999, as a result of the tariff creating a significant competitive disadvantage for these products in a marketplace consisting of price-sensitive consumers. The fact is,

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there is no non-European source for the chicory needed for these blends.

As part of the Trade and Development Act of 2000, these significant retaliations were to have been periodically rotated. [See Section 407, which calls for this modification to Section 301 of the Trade Act of 1974.] However, to date, no such “carouseling” of products has occurred.

NCA believes that it is time to sanction Section 407 of the Trade Act of 2000 and to finally give the U.S. coffee-chicory producing industry, so equated with the State of Louisiana, relief from this damaging tariff. Such action is especially timely considering the continuing economic upheaval in Louisiana wrought by Hurricanes Katrina and Rita.

Again, the National Coffee Association urges strong support for the inclusion of language in the omnibus miscellaneous tariff bill that eliminates the chicory tariff. We appreciate this opportunity to present our views.

Sincerely,

Robert F. Nelson

GREEN COFFEE ASSOCIATION OF NEW ORLEANS

528 GRAVIER STREET
NEW ORLEANS, LA 70130

July 27, 2006

RE:

S.2227

To amend the Harmonized Tariff Schedule of the United States to remove the 100 percent tariff imposed on roasted chicory and other roasted coffee substitutes. (Introduced in Senate)

109th CONGRESS

2d Session

S. 2227

To amend the Harmonized Tariff Schedule of the United States to remove the 100 percent tariff imposed on roasted chicory and other roasted coffee substitutes.

IN THE SENATE OF THE UNITED STATES

January 31, 2006

Mr. VITTER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Harmonized Tariff Schedule of the United States to remove the 100 percent tariff imposed on roasted chicory and other roasted coffee substitutes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REMOVAL OF 100 PERCENT TARIFF ON ROASTED CHICORY AND OTHER ROASTED COFFEE SUBSTITUTES.

- (a) In General- Subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by striking heading 9903.02.37.
- (b) Conforming Amendments- Chapter 21 of such Schedule is amended by striking footnote 1 to subheading 2101.30.00.
- (c) Effective Date- The amendments made by this section apply to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

Based in the New Orleans area, as we and the members of our Association are, the subject of chicory is very important to us. We are in the nexus of chicory as an admixture to coffee. So any attempt to eliminate the 100% import duty assessed to chicory will help the coffee industry to recover from the ravages of Hurricanes Katrina and Rita.

By way of background, the first year that the duty was imposed, imports of chicory dropped by 29% as the implications of such a punitive tariff made its way through the supply chain. Since then, the level of imports has varied somewhat, but they have yet to return to pre-tariff levels, according to information from the U.S. Department of Agriculture.

(2)

A study of those import figures over the last 88 months (Jan 1999 through April 2006), show that we have imported 42,185.8 metric tons of roasted chicory. Extrapolating a price of 0.85 Euros/kg over that tonnage, we can estimate that the U.S. coffee industry has paid \$44,827,357 in tariffs at the wholesale import level. I shudder to think of what that has meant to the retail consumer.

It is long past time to remove this unfair burden from the backs of a region that has more than enough hardships to overcome. We urge the Congress to eliminate this region-specific tax immediately.

Thank you for your consideration of this serious matter.

Sincerely,

STEPHEN P. MURPHY
President

July 27, 2006

Dear Senate Finance Committee,

We at Community Coffee Company, L.L.C. have long prided ourselves with being responsible corporate citizens of our beloved country. We have lived by the highest code of business ethics and the golden rules of fairness since our company's beginnings, which dates back to 1919.

It has never been our style to complain, however we do believe it is time to raise our voice in objection to the continued 100% tariff that is in place on French Imported Chicory. You may recall that this tariff on French Chicory and a list of other products imported from Europe was imposed as a response to the European Union's ban on hormone produced Beef from the United States. When the tariff was first imposed there was a promise that imported products from Europe would be rotated as to not cause an unfair burden. Unfortunately since the tariffs were imposed during the year 2000 no such rotations have taken place.

French imported chicory continues to be a key component of our New Orleans Blend ® Coffee & Chicory product. Although we are a Louisiana based company and there are consumers who buy and enjoy our product throughout the United States. This means that since the tariff's inception, consumers who enjoy our New Orleans Blend Coffee & Chicory product have been burdened.

We are aware that the United States Trade Representatives are working to bring resolution to the hormone produced Beef issue; however after almost six years there still seems to be no resolution in sight. We believe that our customers and we have more than paid our fair share to help in this matter. Even if the hormone Beef issue can not be resolved in the short term, it certainly seems fair to believe that it is time to rotate the 100% tariff to a different set of imported products from Europe.

We appreciate your efforts to bring about positive action to resolve this problem.

Best regards,

Carl Leonard
Vice President Green Coffee Department
Community Coffee Company, L.L.C.

WESTFELDT BROTHERS, INC.

Post Office Box 51750
New Orleans, Louisiana 70151

August 9, 2006

Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC, 20510
Attn: MTB

RE: Senate Bill S. 2227 – Elimination of 100 % tariff imposed on roasted chicory.

To the Honorable Committee Members:

Westfeldt Brothers Inc. would like to express our support for Senate Bill S. 2227 to remove the 100 percent tariff imposed on roasted chicory and other roasted coffee substitutes. Elimination of this punitive tariff will not only help the coffee importing and roasting industries, but will primarily benefit the coffee and chicory consuming public.

Since the commencement of this tariff, the effects have been felt by the industry and the consumer. Westfeldt Brothers Inc. specifically has spent more than \$340,000 to pay the ad valorem tariff, while the cost to the industry is in the neighborhood of \$7,000,000, annually. Some of this tariff expense is absorbed by the industry, but the bulk of burden is shouldered by the consumer in the form of higher shelf prices.

In light of the devastating recent effects of Hurricane Katrina on the State of Louisiana, and with the knowledge that chicory is a product upon which our State and region depends, Westfeldt Brothers Inc. respectfully requests that the Senate Finance Committee eliminate the 100% ad valorem chicory tariff.

Sincerely,

Thomas D. Westfeldt, II
President
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tommy@westfeldtcoffee.com